MAKING SENSE OF *THIS* WORLD

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Europe's Left: Advancing Towards the Cliff Edge

Across Western Europe, the left has regained the initiative after years in which the populist right seemed to own the momentum; yet from London to Paris and Madrid, the same paradox is emerging. The bolder the advance, the greater the risk of frightening the moderate voters without whom no progressive government can win — or survive.

United Kingdom: a bold vision, a nervous Treasury. At his first conference as Prime Minister, Andy Burnham asked for ten years to change the country's course: a National Care Service "free at the point of use", electoral reform, greater public control of housing, energy and water, and a review of options for Britain's relationship with the EU — from the single market and customs union to eventual re-entry. The faithful cheered; the gilt market was less enthused. Thus the Chancellor, John Healey, has insisted that the 28 October Budget will meet the fiscal rules and that the headline rates of income tax, National Insurance and VAT will not rise; tellingly, he has not ruled out increases elsewhere. Meanwhile, Westminster speculates about a snap election as early as May, to escape Starmer's fiscally restrictive manifesto while Reform UK, battered by scandals, has slipped into second place in the polls. However, the "Burnham bounce" is already fading, with Labour and Reform level in several polls; and Theresa May's 2017 failed gamble remains the cautionary tale.

France: Mélenchon rides the blockades. In France, Jean-Luc Mélenchon has thrown *La France Insoumise* behind the high-school blockades spreading from Île-de-France, urging activists to "interpose" themselves between pupils and police and accusing the government of ordering repression. Prime Minister Sébastien Lecornu has retorted that exploiting teenagers' anger for partisan ends is a fault. The calculation is transparent: the young are LFI's growth market ahead of the 2027 presidential election. Yet by casting himself as the candidate of disorder, Mélenchon makes himself the ideal run-off opponent for the Rassemblement National — the one scenario in which the "republican front", which has repeatedly blocked the far right, might simply stay at home. The risk is that, while further increasing his weight on the left part of the political spectrum, he will scare the moderate electorate, making Marine Le Pen looking that the “safer pair of hands”, now that her party has abandoned the anti-euro rhetoric.

Spain: short of votes, long on scandal. In Spain, Pedro Sánchez has again seen Congress reject housing measures meant to define what he billed as "the legislature of housing". Squeezed between Junts, which demands tax breaks for landlords, and Podemos, which refuses them, his minority government can neither legislate nor pass a budget. An early vote — and Moncloa already argues that any election in 2027 would not count as early — could renew a mandate battered by the corruption scandals surrounding his party and family. Here, though, the moderate veto is exercised less by voters than in Parliament, by a centre-right Catalan party. The risk in that, the Partido Popular of Alberto Feijó and Vox of Santiago Abascal will join forces and oust Sanchez from la Moncloa at the next election, and form a right-wing government, very skewed towards the far right.

Therefore, the common thread is less the left's revival than its discipline. Burnham's real constraint is the bond market — the moderate voter's most unforgiving proxy; Mélenchon's is the republican front; Sánchez's is parliamentary arithmetic. History is instructive: Blair in 1997 and Hollande in 2012 won from the centre; Corbyn in 2019 did not. Should today's leaders overreach, the beneficiaries would be Reform UK, the RN and a PP–Vox alliance — the very forces this leftward revival was meant to contain.

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Looking Ahead

The Week Ahead: PMIs To Increase In US And EZ And Fall In UK; US Consumer Sentiment To Remain The Same

In the US, in September, S&P Global Services and Composite are expected to increase to 58.7 (*p:* 56.5) and 55.7 (*p:* 55.4). In October, Michigan Consumer Sentiment is seen remaining at 48.1.

In the EZ, in September, S&P Global Services and Composite are expected to rise to 53 (*p:* 51.6) and 53.1 (*p:* 52.0). In August, retail sales are likely to rise by 0.4% m-o-m (*p:* -0.6%).

In the UK, in September, S&P Global Services and Composite are expected to decline to 51.7 (*p:* 52.5) and 51.7*p:* 52.5).

The Quarter Ahead: G7 Releases Diesel Reserves; South Korea's $200bn US Investment; Ukraine Targets Russian Refineries

G7 nations agreed to release 100mn barrels of diesel reserves over four months to ease record-high fuel prices amid supply disruptions from the Iran war and Ukrainian attacks on Russian refineries. The release will be frontloaded in the first 20 days and coordinated through the IEA. G7 members also pledged to avoid energy export restrictions, easing concerns over a potential US diesel export ban.

South Korean President Lee Jae Myung pushed back on Trump's claim that Seoul had agreed to participate in the $50bn Alaska LNG project, stressing that any involvement depends on commercial viability and legal requirements. The project is part of a broader $200bn Korean investment plan for U.S. energy infrastructure, including $120bn for nuclear reactors and $22.3bn for a Texas gas power facility.

Ukraine plans to intensify strikes on Russian oil refineries in response to Moscow's expanded attacks on Ukrainian infrastructure, President Zelenskiy said. He ruled out indiscriminate attacks on civilian targets and said Kyiv had seen no indication that Moscow was interested in peace talks.

Last Week's Review

Real Economy: US And UK QoQ GDP Revised Down; US Unemployment Rose; EZ Inflation Increased

In the US, in Q2, according to the final estimate, GDP growth rate decelerated to 2.2% q-o-q (*c:* 1.5%; *p:* 2.5%). In September, unemployment rate edged up to 4.2% (*c:* 4.1%; *p*: 4.1%). NFPs increased by 29K (*c:* 90K; *p:* 133K). In August, PCE and core PCE price index rose by 3.4% y-o-y (*c:* 3.7%; *p:* 3.4%) and 3.0% y-o-y (*c:* 3.3%; *p:* 3.0%). In September, CB consumer confidence declined to 81.9 (*c:* 89.2; *p:* 88.6). Manufacturing PMI rose to 55.9 (*c:* 57.0; *p:* 53.9).

In the EZ, in September, headline and core inflation rates edged up to 3.8% y-o-y (*c:* 3.6%; *p:* 3.2%) and 2.5% y-o-y (*c:* 2.5%; *p:* 2.4%). In September, consumer confidence shrank to -16.5 (*c:* -16.5; *p:* -15.5). Economic Sentiment declined to 97.9 (*c:* 99.0; *p:* 98.4).

In the UK, in Q2, according to the final estimates, the GDP growth rate decelerated to 0.5% q-o-q (*c:* 0.4%; *p:* 0.6%) and advanced by 1.4% y-o-y (*c:* 1.2%; *p:* 0.8%).

Financial Markets: Stock Prices Declined; Yields Were Mixed; USD Increased; Oil And Gold Prices Fell

Market Drivers: US equities ended the week mixed as a weaker jobs report and reduced expectations for further Fed tightening were offset by elevated Treasury yields, volatile oil prices and uncertainty over the US-Iran conflict. European equities also came under pressure, as high oil prices, rising bond yields and stronger-than-expected inflation weighed on risk appetite.

Global Equities: decreased *w-o-w* (MSCI ACWI, -0.7%, to 1,139.9). The US S&P 500 index edged down (-0.3% w-o-w, to 7,722.7). In the EZ, share prices were down (Eurostoxx 50, -10.0% w-o-w, to 6,241.75). In EMs, equity declined (MSCI EMs, -1.4%, to 1,708.91). Volatility increased to 17.75 (VIX S&P 500, 52w avg.: 19.98; 10y avg.: 19.9).

Fixed Income: *w-o-*w, the 10-year US Treasury yields were up (+10 bps to 5.28%). The 2-year US Treasury yields declined (-3 bps to 4.83%). The German 10-year bund yields edged down (-17 bps to 3.45%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +1.0%, to 101.93; EUR/USD -1.2%, to 1.13). In EMs, currencies fell (MSCI EM Currency Index, -0.0% w-o-w, to 1,924.1).

Commodities: *w-o-w,* oil prices declined (Brent, -1.7% to 102.72 USD/b). Gold prices fell w-o-w (-3.4% to 4,172.10 USD/Oz).

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The picture in the first page was taken from this website.

Abbreviations, Acronyms and Definitions

a	*Actual*
AKP	*Justice and Development Party, Turkey*
ann.	*annualized*
ARS	*Argentinian Peso*
avg.	*Average*
bn	*Billion*
BoC	*Bank of Canada*
BoE	*Bank of England*
BoJ	*Bank of Japan*
bpd	*Barrels per day*
bps	*Basis points*
BS	*Balance sheet*
c	*Consensus*
C/A	*Current account*
CB	*Central bank*
CBB	*Central Bank of Bahrain*
CBK	*Central Bank of Kuwait*
CBT	*Central Bank of Turkey*
CDU	*Christian Democratic Union, Germany*
CNY	*Chinese Yuan*
CPI	*Consumer Price Index*
DJIA	*Dow Jones Industrial Average Index*
DJEM	*Dow Jones Emerging Markets Index*
d-o-d	*Day-on-day*
DXY	*US Dollar Index*
EC	*European Commission*
ECB	*European Central Bank*
ECJ	*European Court of Justice*
EIA	*US Energy Information Agency*
EM	*Emerging Markets*
EP	*European Parliament*
EPS	*Earnings per share*
EU	*European Union*
EUR	*Euro*
EZ	*Eurozone*
Fed	*US Federal Reserve*
FOMC	*US Federal Open Market Committee*
FRB	*US Federal Reserve Board*
FX	*Foreign exchange*
FY	*Fiscal Year*
GCC	*Gulf Cooperation Council*
GBP	*British pound*
GDP	*Gross domestic product*
IMF	*International Monetary Fund*
INR	*Indian Rupee*
IPO	*Initial public offering*
IRR	*Iranian Rial*
JPY	*Japanese yen*
k	*thousand*
KSA	*Kingdom of Saudi Arabia*
LN	*Northern League, Italy*
M5S	*Five Star Movement, Italy*
m-o-m	*Month-on-month*
mb	*Million barrels*
mb/d	*Million barrels per day*
MENA	*Middle East and North Africa*
MHP	*Nationalist Movement Party, Turkey*
mn	*Million*
MPC	*Monetary Policy Committee*
NAFTA	*North-American Free Trade Agreement*
NATO	*North Atlantic Treaty Organization*
OECD	*Organization for Economic Cooperation and Development*
Opec	*Organization of Petroleum Exporting Countries*
p	*Previous*
P2P	*Peer-to-peer*
PBoC	*People's Bank of China*
PCE	*Personal Consumption Expenditures*
PE	*Price to earnings ratio*
PM	*Prime minister*
PMI	*Purchasing managers' index*
pps	*Percentage points*
pw	*Previous week*
QCB	*Qatar Central Bank*
QAR	*Qatari Riyal*
QE	*Quantitative easing*
q-o-q	*Quarter-on-quarter*
RE	*Real estate*
RBA	*Reserve Bank of Australia*
RRR	*Reserve Requirement Ratio*
RUB	*Russian Rouble*
SWF	*Sovereign Wealth Fund*
tn	*Trillion*
TRY	*Turkish Lira*
UAE	*United Arab Emirates*
UK	*United Kingdom*
US	*United States*
USD	*United States Dollar*
USD/b	*USD per barrel*
UST	*US Treasury bills/bonds*
VAT	*Value added tax*
VIX	*Chicago Board Options Exchange Volatility Index*
WTI	*West Texas Intermediate*
WTO	*World Trade Organisation*
w	*Week*
w-o-w	*Week-on-week*
y	*Year*
y-o-y	*Year-on-year*
y-t-d	*Year-to-date*
ZAR	*South African Rand*
2y; 10y	*2-year; 10-year*

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